

Message Text

UNCLASSIFIED

PAGE 01 SANTIA 06236 202232Z

66

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 PA-04 PRS-01 USIA-15 DRC-01

/071 W

----- 062243

R 202014Z DEC 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 6945

UNCLAS SANTIAGO 6236

EO 11652: N/A

TAGS: ECON, ELAB, AFSP, CI

SUBJECT: WAGE POLICY FOR 1974

REF: SANTIAGO A-207, OCTOBER 30, 1973

1. SUMMARY. IN DECEMBER 19 NATIONAL TV/RADIO ADDRESS MINISTERS OF ECONOMY, FINANCE AND LABOR OUTLINED GOC WAGE PLANS FOR NEXT YEAR. ALTHOUGH PRESENTATION NOT ENTIRELY CLEAR, IT APPEARS THAT, ON AVERAGE, SALARY INCREASES IN JANUARY 1974 WILL BE 60-65 PERCENT ABOVE DECEMBER 1973 LEVEL. PRIVATE SECTOR WAGE INCREASE WILL BE APPROXIMATELY 50 PERCENT ABOVE THIS DECEMBER, BUT PUBLIC SECTOR EMPLOYEES GENERALLY WILL DO BETTER BECAUSE OF INTRODUCTION OF UNIFIED SALARY SCALE. LOWEST INCOME GROUPS IN BOTH SECTORS WILL BE GIVEN EXTRA WAGE BOOST, AND NEW MINIMUM MONTHLY SALARY WILL BE ESCUDO 18,000. FURTHER WAGE INCREASES ARE EXPECTED IN 1974 TO MAINTAIN CHILEANS' PURCHASING POWER. END SUMMARY.

2. OUTLINING GOC ECONOMIC AND WAGE POLICIES MINISTER OF ECONOMY LENIZ SAID WAGE INCREASES ON JANUARY 1 WOULD BRING CHILEAN WAGE EARNERS UP TO AVERAGE PURCHASING POWER DURING 1973. (COMMENT: THIS MEANS THAT IN JANUARY 1974 AVERAGE CHILEAN IS SUPPOSED TO BE BETTER OFF THAN NOW BUT IN WORSE POSITION THAN IN JANUARY 1973. END COMMENT.) HE POINTED OUT INCREASED PRIVATE SECTOR WAGE COSTS WILL HAVE TO BE ABSORBED MOSTLY BY UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SANTIA 06236 202232Z

ENTERPRISES AND NOT PASSED ON TO CONSUMERS IN FORM OF HIGHER

PRICES. LENIZ ALSO SAID THAT SUBSIDIES ON SOME BASIC FOODSTUFFS WILL BE ENDED, THUS RESULTING IN PRICE RISES. THIS IS BEING PARTIALLY OFFSET BY HIKE IN FAMILY ALLOWANCES. HE WAS HOPEFUL THAT WAGE INCREASES WILL BE SUFFICIENT IN INCREASE SALES, BUT WARNED THAT ECONOMIC SACRIFICES BY ALL CLASSES WILL BE NECESSARY UNTIL PRODUCTION AND INVESTMENT HAVE RECUPERATED.

3. MINISTER OF FINANCE GATUZZO DISCUSSED HOW PUBLIC SECTOR WILL BE AFFECTED BY WAGE CHANGES. MAJOR NEW PROPOSAL IS UNIFIED SALARY SCALE FOR ALL PUBLIC AGENCIES EXCEPT THOSE (UNSPECIFIED) DECENTRALIZED ENTERPRISES WHICH ARE SELF-FINANCING. HE SAID THAT, EFFECTIVE JAN 1, INSTEAD OF IRRATIONAL AND INEFFICIENT SYSTEMS WITH OVER 200 DIFFERENT GRADES, NEW SALARY SCALE WILL HAVE 35 GRADES, WITH NET (AFTER TAXES) MONTHLY SALARIES RANGING FROM E. 20,000 TO E. 212,000. A SECOND PUBLIC SECTOR WAGE INCREASE WILL GO INTO EFFECT IN JULY 1974. THERE WILL BE FOUR MAJOR CATEGORIES OF PUBLIC SECTOR PERSONNEL; PROFESSIONALS, TEACHERS, OTHER CIVILIANS, AND ARMED FORCES AND POLICE. GOTUZZO SAID THAT LOWEST RANKING PUBLIC EMPLOYEE WILL EXPERIENCE LARGER THAN AVERAGE PERCENTAGE WAGE INCREASES, AND THAT DIFFERENCE BETWEEN TOP AND BOTTOM WAGE SCALES WILL NOW BE ONLY 10 TIMES, COMPARED TO 23 TIMES PREVIOUSLY. HE SAID NO EMPLOYEE WILL HAVE LOWER SALARY AS RESULT OF UNIFIED SYSTEM.

4. MINISTER OF LABOR MAC KAY OUTLINED FOLLOWING MAJOR POINTS FOR PRIVATE SECTOR WORKERS:

A. WAGE INCREASE IN JANUARY WILL BE FIVE TIMES OVER JANUARY 1973 LEVEL. (COMMENT: ACCORDING TO HIGH GOC SOURCE, THIS MEANS INCREASE OF APPROXIMATELY 50 PERCENT OVER DECEMBER 1973. END COMMENT.) WORKERS WHO OBTAINED WAGE INCREASES IN COLLECTIVE BARGAINING AGREEMENTS AFTER JANUARY 1973 WILL RECEIVE PROPORTIONALLY LOWER SALARY RAISES NEXT MONTH.

B. NEW MINIMUM SALARY, EXCLUDING FAMILY AND TRANSPORTATION BONUSES (NOTED BELOW), WILL BE E.18,000 MONTHLY. FIRMS MUST MAKE UP THE DIFFERENCE FOR THOSE WORKERS WHOSE JANUARY 1974 WAGE DOES NOT REACH THIS LEVEL. PART TIME WORKERS WILL BE PAID PROPORTIONAL MINIMUM WAGE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SANTIA 06236 202232Z

C. FAMILY ALLOWANCE WILL BE E.1,800 MONTHLY FOR EACH DEPENDENT.

D. TRANSPORT BONUS, NOW E.720 MONTHLY, WILL BE INCREASED EQUAL TO PERCENTAGE RISE IN PUBLIC TRANSPORT PRICES.

E. PAY OF DOMESTIC SERVANTS WILL BE DETERMINED BY AGREEMENT BETWEEN THEM AND EMPLOYERS.

F. JANUARY 1974 PENSIONS WILL BE FIVE TIMES THE LEVEL OF ONE YEAR PREVIOUSLY. MINIMUM PENSIONS WILL BE E.12,000 MONTHLY.

G. SEVERAL SMALL WAGE INCREASES WILL BE AUTHORIZED DURING 1974 TO OFFSET INFLATION.

5. COMMENT: LENIZ' PRINCIPAL ECONOMIC ADVISER HAS TOLD US THAT AVERAGE WAGE INCREASE WILL BE 60-65 PERCENT OVER DECEMBER 1973 BECAUSE PUBLIC EMPLOYEES WILL GENERALLY BE GAINING MORE THAN THOSE IN PRIVATE SECTOR. AVERAGE WAGE INCREASE IS PROBABLY LESS THAN CHILEANS HAD HOPED FOR, AND IT REMAINS TO BE SEEN WHETHER IT WILL STIMULATE DOMESTIC SALES AND PRODUCTION IN DESIRED DEGREE. AS IS GOC INTENTION, WAGE POLICY WILL MEAN SOME REDISTRIBUTION OF INCOME TOWARD LOWER INCOME GROUPS. SUELDO VITAL IS NO LONGER USEFUL CONCEPT FOR MINIMUM SALARIES, BUT WILL STILL BE USED AS MEASURE FOR SUCH MATTERS AS TAXES AND SOCIAL SECURITY PAYMENTS. UNIFIED SALARY SYSTEM IS LARGE STEP FORWARD IN RATIONALIZING CIVIL SERVICE. FURTHER DETAILS AND ANALYSIS WILL FOLLOW BY AIRGRAM.
THOMPSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973SANTIA06236
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731213/aaaaajdn.tel
Line Count: 136
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: SANTIAGO A-207, OCTOBER 30, 1973
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 12 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Dec-2001 by williad>; APPROVED <21 FEB 2002 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WAGE POLICY FOR 1974
TAGS: ECON, ELAB, AFSP, CI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005